

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 SP-02 ICA-20 AID-05 NSC-05

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FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC 9556

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SUBJECT: UPDATE OF INVESTMENT CLIMATE STATEMENT

REF: (A) 77 STATE 244738, (B) STATE 77432

1. ROMANIA CONTINUES TO ENCOURAGE DIRECT FOREIGN INVESTMENT THROUGH THE ESTABLISHMENT OF JOINT VENTURES IN ACCORDANCE WITH BASIC ENABLING LEGISLATION PASSED IN EARLY 1971. THIS LEGISLATION, TOGETHER WITH SUBSEQUENT IMPLEMENTING LAWS, PROVIDES THE FUNDAMENTAL FRAMEWORK FOR INVESTMENT CONDITIONS AND REQUIREMENTS. APART FROM JOINT VENTURES, NO OTHER TYPE OF DIRECT FOREIGN INVESTMENT IS PERMITTED IN ROMANIAJC ROMANIAN SUPPORT OF THE JOINT VENTURE CONCEPT IS BASED ON A DESIRE TO INCREASE THE LEVEL OF CAPITAL INVESTMENT, THEREBY ASSISTING IN THE DEVELOPMENT OF THE ECONOMY, AND A DESIRE TO HOOK UP WITH THE WORLDWIDE DISTRIBUTION NETWORK OF REPUTABLE FOREIGN FIC S SO AS TO INCREASE THE EXPORT OF ROMANIAN PRODUCTS. NEGOTIATION OF A JOINT VENTURE IN ROMANIA MAY REQUIRE AS MUCH AS TWO TO THREE YEARS AS THE NEGOTIATION PROCESS IS CONVOLUTED AND TORTUOUS. THROUGH APRIL, 1978, ONLY SIX FOREIGN COMPANIES, INCLUDING ONE AMERICAN FIRM, HAD MADE DIRECT INVESTMENTS UNDER THE PROVISIONS OF ROMANIAN UNCLASSIFIED

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JOINT VENTURE LEGISLATION.

2. ACCORDING TO THE BASIC LEGISLATION, FOREIGN INVESTMENT IS PERMITTED IN THE FOLLOWING GENERAL FIELDS: INDUSTRY, AGRICULTURE, TOURISM, AND SCIENTIFIC AND TECHNOLOGICAL RESEARCH. SOME OF THE MAJOR REQUIREMENTS FOR JOINTLY OWNED COMPANIES ARE AS FOLLOWS: (A) THE ROMANIAN SHARE OF THE

REGISTERED CAPITAL MUST BE AT LEAST 51 PERCENT, (B) THE ROMANIAN GOVERNMENT GUARANTEES THE REPATRIATION OF PROFITS AND CAPITAL TO THE FOREIGN PARTNER, (C) PRODUCTION FOR EXPORT IS A REQUIREMENT, (D) RAW MATERIALS AND OTHER SUPPLIES MAY BE PURCHASED LOCALLY OR IMPORTED, (E) THE MINISTRY OF FINANCE MUST REVIEW QUARTERLY FINANCIAL STATEMENTS OF JOINT VENTURES, AND (F) PROFITS OF THE JOINT COMPANY ARE TAXED 30 PERCENT ANNUALLY.

3. THE PROGRAMS OF THE OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC) HAVE BEEN AVAILABLE FOR USE IN ROMANIA SINCE APRIL, 197?, TO DATE, NO COVERAGE HAS BEEN ISSUED TO AN AMERICAN FIRM. A DOUBLE TAXATION TREATY WITH ROMANIA WAS PUT INTO FORCE IN MARCH, 1976.

4. THE ROMANIAN GOVERNMENT LOOKS TO DIRECT FOREIGN INVESTMENT AS A MEANS OF CONTRIBUTING TO ITS INDUSTRIAL EXPANSION PROGRAM AS LONG AS THIS INVESTMENT IS CONSISTENT WITH ROMANIAN ECONOMIC POLITY. THE FACT THAT ONLY SIX JOINT VENTURES HAVE BEEN ESTABLISHED TO DATE IS A REFLECTION OF THE CARE WITH WHICH ROMANIAN COMPANIES AND FOREIGN FIRMS HAVE APPROACHED NEGOTIATIONS.

5. INVESTMENT STATISTICS:

A. U.S. DIRECT INVESTMENT - APRIL 1978
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- (1) TOTAL, ALL INDUSTRIES - ABOUT \$2 MILLION
- (2) MINING AND SMELTING - NONE
- (3) PETROLEUM - NONE
- (4) MANUFACTURING - ABOUT \$2 MILLION (COMPUTER PERIPHERALS)
- (5) OTHER INDUSTRIES - NONE

B. DIRECT INVESTMENT BY ALL COUNTRIES - APRIL, 1978:

- (1) TOTAL INCLUDING U.S. - ABOUT \$57 MILLION
- (2) OTHER COUNTRIES - FRANCE \$33.7 MILLION, JAPAN \$5.8 MILLION, WEST GERMANY \$4.4 MILLION, AUSTRIA \$4.1 MILLION, ITALY \$2.3 MILLION (WEST GERMAN AND U.S. INVESTMENTS HAVE BEEN COMPLETED AND PLANTS ARE IN OPERATION. REGARDING THE ITALIAN, JAPANESE, AUSTRIAN AND FRENCH JOINT VENTURES, ONE FROM EACH COUNTRY, THESE INVESTMENTS ARE PROCEEDING AND THE EMBASSY DOES NOT HAVE INFORMATION ON WHAT PERCENTAGE OF THE TOTAL FOREIGN INVESTMENT HAS BEEN COMPLETED.)

C. DIRECT INVESTMENT IN THE U.S. BY FOREIGNERS - APRIL, 1978:

THERE WAS NO DIRECT INVESTMENT IN THE U.S. BY ROMANIA THROUGH APRIL, 1978.

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